

EXHIBIT (A)



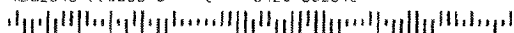
MHVS A VALUE FEDERAL CREDIT UNION
PO Box 1429 Kingston, NY 12402

MHV. WHERE MEMBERSHIP HAS VALUE!

Statement Period
THRU 03/31/09

Your Account Number
200519070

MDG2005 00056548 - SP 0420 0923:15



RICHARD E. ULLOA
POSTAL DEPARTMENT 771
STONE RIDGE NY 12484-5400

001513

Call Center (24/7)

845-336-4444

800-451-8373

Ext. 6000

Website, Home Banking & Bill Payer

www.MHVFCU.com

See inside for your newsletter and read about what's new at MHV. Homeowners may be eligible for up to a \$1,500 income tax credit for purchase of energy efficient home improvements. Read all about it. Now's the time to buy a home, too, with rates at all time lows. Details inside! Find out about the convenience of direct deposit, car buying incentives from major auto dealers and much more in this issue of *Member Newsline*.

Savings Sub: 1 (Primary Savings)

Date	Transaction	Withdrawal	Deposit	Balance
Jan01	Beginning Balance			\$0.00
Jan17	Deposit		59,211.15	59,211.15
Jan26	Return Deposited Item	21,000.00-		38,201.15
	ck 1005 rtdn Ptm, maker R. Ulloa			
	Returned Deposit Fee	10.00-		
Jan30	Cash Withdrawal	296.80-		37,904.35
Jan31	Dividend		10.26	37,914.61
	Savings 0.49% Annual Percentage Yield earned			
	for 01/01/2009 to 01/31/2009 based on Average Daily Balance \$24,564.96			
Feb17	Mtg Pmts In Process (MTG)	37,900.00-		14.61
	70508022 com. star per D. Wright.			
Feb28	Low Balance Fee	1.00-		13.61
	Low Balance Fee			
Feb28	Dividend		8.18	21.79
	Savings 0.49% Annual Percentage Yield earned			
	for 02/01/2009 to 02/28/2009 based on Average Daily Balance \$21,671.72			
Mar31	Low Balance Fee	1.00-		20.79
	Low Balance Fee			
Mar31	Ending Balance			\$20.79

Total Deposits/Credits: \$59,229.59
Total Withdrawals/Debits: \$59,208.80-
YTD Dividend: \$18.44

Fee Periods:

01/01/2009 03/31/2009

Year To Date

Continued next page

Savings Sub: 1 (Primary Savings)

<i>Paid Overdraw Item Fees</i>	0.00	0.00
<i>Returned Item Fees</i>	0.00	0.00
2008 Dividend:		\$0.00

ACCOUNT BALANCE SUMMARIES

Total Savings	20 79
---------------	-------

This year's Annual Meeting is at 4 p.m. Thursday, April 23 at Credit Union Center, 1099 Morton Boulevard, Kingston. Join the Board of Directors and management team for reports on the 2008 fiscal year and learn more about the financial health of MHV. Please reserve by calling 800-451-8373, ext. 3238. Light refreshments served.

FILED
12 FEB 23 AM

FEB 17 2009

Ulster County Clerk

magistratus richard-enrique
general post-office 2nd
peak farms.
second judicial-district
ulster-county the land
yisra'el the people.
phone: 845-627-7855
Email: ulsterthecounty@gmail.com

The MID HUDSON VALLEY FEDERAL CREDIT UNION at 1099 Morton Avenue, Kingston, New York solely under the direction and order of DAVID D. WRIGHT a.k.a David D. Wright have frozen, ceased, terminated, stolen, taken without authority or due process a checking account with funds that belong to another entity which were under the care of Richard Enrique Ulloa. As a steward for ulster-county: the land and magistratus for yisra'el, the people, it is my duty to record this notice into the public record and inform the parties of the penalty of 100,000 ounces of silver per day said account is frozen, ceased or on hold. The penalty will be two fold; one will be assessed to MID HUDSON VALLEY FEDERAL CREDIT UNION and one will be assessed to David D. Wright personally. The assessment or penalties will commence once this document is accepted with the Ulster County Clerk.

Notice to Cease, Desist, and Quit

To David D. Wright a.k.a DAVID D. WRIGHT
Vice President
1099 Morton Boulevard
Kingston, New York 12401

You are hereby given notice by this document that interference with the rights of Richard Enrique Ulloa not only will carry Federal charges and indictments but also ulster-county penalties.

The MID HUDSON VALLEY FEDERAL CREDIT UNION and David D. Wright a.k.a DAVID D. WRIGHT have sent a bill for damages in the amount of 100,000 ounces of silver per day (including, lawsuits and including) that the account remains on hold. These penalties will be collected by any means available i.e. collection agencies, Internal Revenue Services, CID Division, Dun & Brastreet Collection, Private Collection and including but not limited to revocation of the banks charter via the Office of the Comptroller of the Currency.

Lawful notice and demands hereby given to cease, desist and quit all unlawful acts upon the sovereign nation of yisra'el, the people, ulster-county: the land

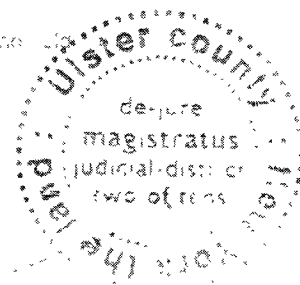
You are hereby given notice that you and others do not have permission, authority, freeze, cease, and accounts or assets without due process

Notice To Principals Is Notice To Agents Jointly and individually Are Liable

Notice To Agents Is Notice To Principals Jointly and individually Are Liable

Subscribed and Sworn to before me this

17 Day of Feb, 2009
Rosemary Secreto
(Notary Public)



magistratus richard-enrique
The fifteen day eleventh month 5769

for translation; the Babylon date of February 17, 2009

ROSEMARY SECRETO
Notary Public, State of New York
Resident in and for Ulster Co.
Commission Expires Dec 8, 2009

89-139

-----*

Official Receipt for Recording in:

Ulster County Clerk
 244 Fair Street
 Kingston, NY 12401

Issued To:
 RICHARD ULLOA

Recording Fees

Document Description	Number	Volm	Page	Recording Amount
Z41	00000139	00055	00311	.00
DR-ULLOA RICHARD				
IN-NOTICE				

.00

Collected Amounts

Payment Type	Amount
No Fee	0

.00

Total Received :	.00
Less Total Recordings:	.00
Change Due :	.00

Thank You
 NINA POSTUPACK - County Clerk

By - 1523 rsec

Receipt# Date Time
 0760051 02/17/2009 12:03p

BILL FOR DAMAGES

NOTICE TO CEASE, DESIST AND QUIT

Notice to Cease, Desist and Quit. 100,000 ounces of silver per document x 23=FRN's

Due on Receipt

DEBIT

DEBIT

02/16/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/17/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/18/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/19/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/20/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/21/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/22/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/23/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/24/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/25/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/26/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/27/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/28/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/01/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/02/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/03/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/04/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/05/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/06/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/07/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
TOTAL DUE	\$46,000,000.00

30 DAYS LWB

Thank you for your business



BILL FOR DAMAGES

NOTATION AND DETAILS

Notice to Cease, Desist and Quit. 100,000 ounces of silver per document x 23=FRN's

TERMS AND CONDITIONS

Due on Receipt

DESCRIPTION

TOTAL

02/16/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver	2,300,000.00
02/17/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver	2,300,000.00
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03/07/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver	2,300,000.00
TOTAL	\$46,000,000.00

2 copies LATE

Thank you to go a business!

[Handwritten signature]

BILL FOR DAMAGES

Date: May 16, 2009
Invoice # 1002 02

Richard-enrique Ulloa
Justice Courtroom # 271
State of New York 12400
845-687-7855
Fax
r.ulloa@nycourty.com

TO: David D Wright
In his personal capacity

SHIP TO: David D Wright
Mid Hudson Valley Federal District
U.S.C.
1099 Vernon Blvd.
Kingston, New York, 12401
845-336-4444
dwright@mvfcu.com

VIOLATION AND PENALTIES

Notice to Cease, Desist and Quit, 100,000 ounces of silver per document x 23=FRN's

PAYMENT TERMS

Due on Receipt

DESCRIPTION

TOTAL

3/08-03/31/2009 Account under the name RICHARD ULLOA is seized	100,000 oz silver	55,200,000.00
04/01-04/30/2009 Account under the name RICHARD ULLOA is seized	100,000 oz silver	69,000,000.00

Carry over from invoice 1002 from previous invoice

46,000,000.00

TOTAL DUE

170,200,000.00

Make all checks payable to Richard Enrique Ulloa

Thank you for your business!

BILL FOR DAMAGES

Date: July 8, 2009
Invoice # 10012

Richard Enrique Ulloa
Postal Department # 71
Calle 1000 Calle 1200A
815-687-7855
Fax
rsterthorougy@gmail.com

TO: MID HUDSON VALLEY
FEDERAL CREDIT UNION
The Corporate Office

SHIP TO: Mid Hudson Valley Federal Credit
Union
1000 Main Street
Kingston, New York 12401
845-338-6444
MHVFCU.COM

VIOLATION AND PENALTIES

Notice to Cease, Desist and Quit, 100,000 ounces of silver per document x 23=FRN's

PAYMENT TERMS

Due on Receipt

DESCRIPTION

3/08-03/31/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver
04/01-04/30/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver

TOTAL

55,200,000.00
69,000,000.00

Carry over from invoice 1001

46,000,000.00

TOTAL DUE

170,200,000.00

Make all checks payable to richard-enrique ulloa

Thank you for your business!

EXHIBIT (B)

100

11-22-19 20200915 11-22-19

Index No. 22-100

Pr. 1111

Calendar No.

against

11-10-68

[illegible]

THE HOUSE OF REPRESENTATIVES

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

~~Exhibit~~ Exhibit A, dated May 14, 2009 at Dubuque, Iowa, and
acknowledged or attested to by a witness in this office on the part of the

and that you bring with you, and produce at the time and place aforesaid a parcel,

Original promissory note, NOT a copy, but the original with a wet ink signature, front and back.

Also to include the Original Title Page, front and back

THE PERMISSION NOTE FOR CONTINUING SERVICES, LLC
RICHARD ALLOA AND LOUIS W. ZUBER, FOR PROXY AT
12 LAKELAND HWY, KINGSTON, NEW YORK 12401

1. The following information was obtained from the records of the FBI, New York City, dated 1/15/64:

1. If you are unable to provide this information, please explain why. If you are unable to provide this information, please explain why. If you are unable to provide this information, please explain why.

THE RECORDS OF THE CITY OF BOSTON, FROM 1790 TO 1860.

2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

1000

100

1. 12. 1944. 2. Exhibition at L.A.

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GENERAL POST OFFICE 771
STATION ROAD NEW YORK THAILAND

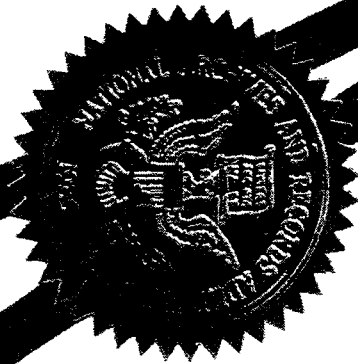
EXHIBIT (C)

EXHIBIT

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

On all to whom these presents shall come, Greeting;

By virtue of the authority vested in me by the Archivist of the United States, I certify on his behalf, under the seal of the National Archives of the United States, that the attached reproduction(s) is a true and correct copy of documents in his custody.



SIGNATURE <i>Richard H. Hunt</i>	
NAME Richard H. Hunt	DATE 10/03/07
TITLE Director Center for Legislative Archives	
NAME AND ADDRESS OF DEPOSITORY The National Archives Washington, D.C. 20408	



SEP 21, 1964

Printed for use of the Committee on Banking and Currency

\$7.90

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1964

For sale by the U.S. Government Printing Office
Washington, D.C. 20540 Price 16 cents

NA - OHM APH 85 1407-A

14, B-2-21114-116
copy
[SUBCOMMITTEE PRINT]

4512

MONEY FACTS

169 Questions and Answers on Money--A Supplement
to A Primer on Money

With Index

SUBCOMMITTEE ON DOMESTIC FINANCE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

88th Congress, 2d Session



SEPTEMBER 21, 1964

Printed for use of the Committee on Banking and Currency

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1964

41-579

Printed by the Government Printing Office
Washington, D.C. 20540-7001

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LETTER OF TRANSMITTAL

To Members of the Subcommittee on Domestic Finance:
 Transmitted herewith for the use of the Subcommittee on Domestic Finance of the Banking and Currency Committee, and other members of the committee and the Congress, as well as the general public, is a series of questions and answers on the basic workings of our monetary system. It is a supplement to "A Primer on Money" and is designed to highlight in question and answer form the basic points brought out in the "Primer." It has also been indexed so as to facilitate its use.

It is hoped that "Money Facts" will prove useful to students and all others interested in further study of and improvement in our monetary system and that it will stimulate serious thought, research and discussion of the critical issues involved.

WRIGHT PATMAN, Chairman

BY

JOHN R. STARK, *Conf. and Staff Director*
 LOUIS F. BARNETT, *Professional Staff Secretary*
 ALAN LEE BLOOM, *General*
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CHAPTER III

HOW IS MONEY CREATED?

41. What is the fractional reserve method of banking?

The fractional reserve method of banking originated with the goldsmiths—the predecessors of our present bankers. It is the method of banking in use today. Briefly, it is a system whereby bankers maintain as reserves only a fraction of the amount needed to meet all the claims against them. (The vast bulk of the claims against the banks are the deposits you and I hold. These are obligations which the bank must pay upon our demand.) The goldsmiths struck upon this method by noticing that the people who deposited gold with them for safekeeping only claimed a small portion of this gold at any one time. Therefore, the goldsmiths realized that they could lend out a good portion of the gold left with them. They then made loans, which in fact were not of gold but warehouse receipts for gold. These receipts circulated as money. Notice, the gold actually the certificates of ownership—being loaned by the goldsmith was not his to lend. He did not own it. In other words, the goldsmith wrote receipts to people who were not depositing gold, i.e., to borrowers. So receipts for more gold than the goldsmith actually had in his vaults were circulating. The goldsmith had only a fraction of the amount of gold needed to meet the claims against him. This is the fractional reserve system. When the banks of the United States kept their reserves in gold, their reserves amounted to only a small fraction of the amount of money they had loaned, all of which was guaranteed to be redeemable in gold.

42. What are the advantages of the fractional reserve system?

Fractional reserves provide banks with a source of funds which they may invest in sound economic projects, and thus encourage business activity and economic growth.

43. What is the major weakness of the fractional reserve system?

Since no bank can meet all the claims on it at any one time, fractional reserve banking leaves individual banks vulnerable to runs. (This is why a system of central bank reserves with facilities to lend and transfer reserves in time of need is necessary.)

44. What are reserves in modern American banking?

Reserves in modern American banks are deposits—demand deposits—held by commercial banks at the Federal Reserve.

45. Where did the commercial banks obtain their reserves?

As mentioned in Part I, commercial bank reserves were created by the Federal Reserve and placed to the account of the various commercial banks, which are called "reserve" banks. The Federal Reserve created the reserves in a bank reserves which bank money by a "check" or "note" or other means. The Federal Reserve created bank money by the "check" or "note" or other means.

46. Who determines how much checkbook money a bank can create on the basis of its reserves?

The Federal Reserve System sets reserve requirements—that is, the ratio of reserves to deposits—that the individual member banks must maintain. This in turn determines how many loans a bank can make, and how many securities it can buy.

47. Where does the Federal Reserve get the money with which to create bank reserves?

It doesn't "get" the money; it creates it. When the Federal Reserve writes a check, it is creating money. This can result in an increase in bank reserves, a demand deposit—or in cash. If the customer presents cash, he can demand Federal Reserve notes, and the Federal Reserve will have the Treasury Department print them. The Federal Reserve is a total moneymaking machine. It can issue money on checks. And it never has a problem of making its checks good because it can obtain the \$5 and \$10 bills necessary to cover its check simply by asking the Treasury Department's Bureau of Engraving to print them.

48. Who gave the Federal Reserve the power to create the money necessary to cover its checks?

The Congress. Because this power to create money is given by the Congress to the Federal Reserve, only the Congress can delegate this power. And this it has done in creating the Federal Reserve System—an agency of Congress authorized to create money.

49. How does the Federal Reserve change the money supply?

First, by increasing or decreasing the amount of bank reserves which the member banks of the Federal Reserve System have to "set aside" on the books of the Federal Reserve banks. Second, by regulations which tell the member banks the maximum amount of bank deposits they may create per dollar of reserves.

50. What is the formula that determines the maximum amount of money available to business and consumers?

Expressed mathematically, this is a simple formula: $M \times B = D$ where: M = Amount of bank reserves; B = Number of dollar deposits member banks may create per each dollar of reserves; and D = Total bank deposits.

51. Can the Federal Reserve authorities change the money supply formula?

Yes. They can change either or both parts of the formula at any time, and they frequently do change one or both parts. There are certain limits set by the Federal Reserve Act to the changes the authorities can make. But these limits are extremely wide.

52. Does it make any difference which part of the formula the authorities change when they wish to increase the money supply?

Yes. Although the effect on the money supply of changes in either part of the formula may be the same, the total economic effect is different depending on what part of the formula is changed. For example, when the Federal Reserve lowers reserve requirements, it goes a long way toward creating money by the "check" or "note" or other means.

to a *passive* Treasury. Through the *monopoly* of financing (by a central bank or, from private to public funds) on the other hand, even the Federal Reserve increases reserves of, say, purchasing U.S. Government securities, the *net* income on these securities goes to the Federal Reserve System. Since the Federal Reserve turns over to the U.S. Treasury most of its earnings, the net effect of increasing the money supply by increasing reserves is to leave the private banking system so, when the Federal Reserve officials decide to increase the money supply, whether they favor the U.S. Treasury or the private bank, it does make a difference—millions of dollars of difference—in the amount of taxes paid, t_1 , and all other taxpayers must pay.

53. As bank reserves rise do private banks "deposit" their reserves with the Federal Reserve?

(Collectively, private banks do not deposit a penny of their own funds, or their customers' funds with Federal Reserve banks. Re-serves are transferred from bank to bank, but nothing the banks can do will increase the total amount of reserves in the system. Practically, only the Federal Reserve System itself can do this or to permit it to occur from a gold inflow. Increasing or decreasing reserves is a conscious act of the managers of the Federal Reserve.

54. How does the Federal Reserve create and destroy bank reserves?

By four methods: (1) by open market operations; (2) by gold purchases for the U.S. Treasury; (3) by loans to commercial banks; and (4) by purchases of eligible paper from member banks.

55. What are open market operations?

They are the Federal Reserve's purchases or sale of U.S. Government securities in what is called the "open market"—an order to extend or contract bank reserves and hence the supply of money and credit available. The Federal Reserve Bank of New York conducts the auction as agent for the entire system.

56. What is the "open market"?

It is composed of about 20 private dealers of U.S. Government securities, with whom the Federal Reserve Bank of New York trades. Several of these dealers are big New York and Chicago banks.

57. How much in bank reserves has been created by the Federal Reserve?

The answer was given in early 1966 by Chairman Martin of the Federal Reserve Board. Between the end of 1957 and the end of 1959, the Federal Reserve System had created gross additions to bank reserves and debt by the order of \$16 billion. Over the years, the banks had shown steady, if not brisk, accounts by \$29 billion by taking out currency (which was paid, to meet their requests), leaving a constant cash reserve fund of \$15.5 billion.

DR. ROY FOR THE FEDERAL RESERVE tried to build reserves by open market operations.

The subject has not as yet followed its course, but the fact that the *Journal of New York* will record for the whole of the year the 'German' band in the 'upper reaches' of the world is a mark for Sturmgänge in the future. Kary

Barry of New York. The check will not be deposited into the notary's checking account, but will go to Chase Manhattan Bank. The Chase Manhattan will be the depository check account with \$100 million then sends it clear to the Federal Reserve Bank of New York for payment. The Federal Reserve Bank of New York makes payment to the Chase Manhattan by crediting its reserve account with \$1,000.

59. For whom does the Federal Reserve purchase or sell gold?
For the U.S. Treasury.

60. Where does the gold come from?

The gold is either newly mined or else comes from foreign central banks.

61. Why does the Treasury buy gold?

To add to the Nelson's monetary gold stock and assure us enough gold to meet any claims from foreigners who hold dollars.

62. Do banks have an automatic right to borrow from the Federal Reserve bank?

No. Member banks of the Federal Reserve System are eligible to borrow. But being eligible and obtaining a loan are two different things.

63. How are Federal Reserve loans to banks secured?

The law permits a Federal Reserve bank to accept a variety of good collateral to secure its loans. In practice, however, banks borrowing from the Federal Reserve System almost always put up U. S. Government securities as collateral.

61. Do the banks of the Federal Reserve System pay for their reserves?

No. Bank reserves cannot be paid for by private banks. They can be shifted from bank to bank after they are created. But to all intents only the Federal Reserve System itself can create or extinguish reserves. Indeed, when the Federal Reserve creates bank reserves this permits the banks to increase their loans and augment their profits.

65. How do currency and coin enter the money supply?

The proportion of currency and coin in circulation to the total money supply is pretty much automatic. It normally amounts to about 20 percent of the money supply, with bank deposits accounting for the other 80 percent.

66. Who determines how much currency and coin is issued?

Given the total money supply depends on the behavior of individuals and business firms.¹ The amount of currency and coin in circulation depends on how convenient individuals and business firms find currency and coin rather than bank deposits in carrying on trade. As indicated, normally currency and coin make up 50 percent of the money supply.

07. Who determines how much checkbook money shall be created?

A committee made up of the members of the board of governors of the Federal Reserve System and the President of the Federal Reserve Banks make the decision. The Open Market Committee, as it is called, decides only about the maximum amount of money to be

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MONET FACTS

118. How many insured banks have failed since 1933?

Four hundred and forty seven (as of December 31, 1963).

119. Where does the FDIC get its money?

From assessments on insured banks, and interest on U.S. Government accounts it holds.

120. Where did the FDIC get money to start operations?

The Treasury purchased \$150 million of stock in the FDIC, and the Federal Reserve, on instructions of Congress bought \$139 million of stock. This stock was repaid by the FDIC in 1947 at 2 percent interest.

121. How much do the insured banks pay the FDIC?

Insured banks pay annually a gross assessment of one twelfth of 1 percent of their total deposits.

122. Is the FDIC subsidized by the Federal Government?

Yes. Although it paid back the original \$289 million of stock, several subsidies remain. The fact that the FDIC gets half its total income from Government securities itself represents a sizable subsidy.

123. What direct commitment does the Treasury have to the FDIC?

The 1917 amendments to the Federal Deposit Insurance Corporation Act provide that the FDIC can borrow up to \$3 billion from the U.S. Treasury at its discretion. The law directs the Secretary of the Treasury to put up this \$3 billion any time the FDIC wants it.

124. Does FDIC regulate and control insured banks?

Yes. Under the provision of the act which allows the FDIC to see to it that banks do not engage in "unsafe and unsound practices in conducting business" and which allows it to lay down basic requirements for membership, the FDIC has come to regulate the banks rather completely. The FDIC can prevent banks from making investments its examiners deem undesirable. And, FDIC conservatism is making it more and more difficult for small businessmen and farmers to get the financial assistance they need.

CHAPTER VIII

HOW THE FEDERAL RESERVE PROVIDES PUBLIC FUNDS TO THE PRIVATE BANKS

125. Do private banks enjoy a special relationship with the Federal Government?

Yes, a very special relationship. The business of banks is to lend money. The profit comes from the difference between the cost of creating money and the price they charge borrowers for that money. Now the cost of creating money is negligible. Congress has delegated the power to create money to the banking system without a charge. The banks do not pay a license fee or a payment charge for their reserves. Thus the raw materials the banks use cost them nothing. Also the Government subsidizes the private banks in other ways. The banks receive free services from the Federal Reserve. Check-clearing is one example. Further, the Federal Government provides private banks with protection from competition and the hazards of failure. New national banks are not chartered unless the Federal officer in charge of such matters thinks the new bank will succeed and will not "weaken" substantially any already existing bank. Then again, the FDIC has set rigid standards for a bank to receive insurance. No new bank whether National or State chartered can very well succeed unless it obtains insurance. A basis for this insurance is that the new bank will not fail, or cause, "undue" competition.

126. Why is the Government interested in subsidizing the private commercial banks?

Because it furthers the public interest, up to a point. Our economy cannot function without a sound banking system and a well run, reliable money supply. The Government's concern for the banking system is actually a concern for a flourishing economy. Bank profits are necessary for a good banking system. So the Government makes provisions through its regulations that bank profits are protected. Bank profits are only a means toward furthering the general public interest.

127. In recent years has the Federal Reserve exhibited an undue regard for bank profits and an offhand regard for the public interest?

Yes. In recent years the Federal Reserve has, regrettably, followed a policy which has given away billions to the private banks. It has done this by increasing the money supply largely through lowering bank reserve requirements. The Federal Reserve could have provided part of the increase in the money supply itself by purchasing Government securities. But it did not choose to do so.

128. Is there an example of the Federal Reserve's letting the private banks create all the money needed to increase the money supply?

Yes. In the early part of 1958, the Federal Reserve lowered reserve requirements in order to let private banks increase the money supply by a maximum of \$10 billion. The purpose of reducing reserve requirements was to make more funds available for loans to business. The banks, instead, used the new "excess" reserves to acquire \$10 billion of interest bearing U.S. Government securities. This is an example of a "give-away" where the Federal Reserve should have purchased Government securities instead of letting private banks do it - to the advantage of their profits and to the disadvantage of the taxpayers.

129. What was the bond giveaway bill?

This was a bill sponsored by the American Bankers' Association, introduced in Congress in 1959. Its purpose was to transfer \$16.8 billion of Government securities from the Federal Reserve to private bankers. The goal was to reduce "anomalous" Federal Reserve holdings of Government securities--and transfer them, and their interest income, to private firms. The mechanism was to permit banks to count vault cash as reserves, and use the "excess" reserves liberally created to buy bonds from the Federal Reserve. The bill was passed into law only after the House stated its firm opposition to the "give-away" sections of the bill, and expressed the hope that the new "excess" reserves would be used to expand business loans.

130. Is there any reason to give private bankers more bonds?

Since they already receive almost \$2 billion in interest from the Government, and have profited steadily from reserve requirement padding, it would be wrong. Bonds should be transferred to the Federal Reserve from the private banks, not the reverse.

131. Do private banks perform a service in buying Government bonds?

No, because they create money--an obligation of Government--simply to buy bonds guaranteed by the Government. There is no risk involved, as there is in loans to businessmen and consumers. The banks' traditional functions are to lend to private borrowers and assume the risks of creditors. Their reward for buying bonds with money they create is the "subsidized" profits they enjoy.

132. What is the "burden" of U.S. Government bonds, held by the private banking system?

The burden is the heavy bond interest payments, borne by the tax payers, that go to private bankers when the same amount of money would be needed by an agency of Government. Then the taxpayers would not bear this tremendous cost on Government bonds purchased with money given to the private bankers.

CHAPTER IX

WHAT IS MONETARY POLICY?

133. What is monetary policy?

Monetary policy deals with the operating instructions of the managers of our money factory. Monetary policy is what fits money into the structure of the economy. In specific terms it consists of the decisions the money managers make about the quantity of money; the price of money, and the availability of money. These are the quantities the money managers can manipulate precisely. Of course, the goal of a particular monetary policy at any one time is to steer the economy in the direction desired by the monetary authorities. In the broadest sense, monetary policy can be thought of as manipulation of the money supply in the pursuit of broad economic goals.

134. What types of broad monetary policy are there?

There are two. One is called "passive" and the other "active" monetary policy.

135. What is "passive" monetary policy?

A passive monetary policy is one which does not provide for any day-to-day or year-to-year decisions by money managers to influence the volume or kinds of economic activity. The money supply is not regulated to achieve a specific economic target. This does not mean that interest rates do not move up or down. They do. But these moves of the interest rate do not result from any deliberate action by the monetary authorities.

136. What rules guide the money supply in the passive case?

Broadly speaking, they are automatic, akin to the rules a thermostat follows in controlling a room's temperature. For example, the system can be told to increase the money supply by, say, 3 percent a year. Or, more complicated rules can be devised.

137. What is "active" monetary policy?

Active monetary policy is the decision of the Government to give its monetary agencies the power and the responsibility to influence the economy, through deliberate and constant adjustments of the monetary mechanism. With active monetary policy, the prevailing level of the money supply and of interest rates at any time, results from a conscious choice by the central bank.

138. What kind of monetary policy has the United States followed in recent years?

An "active" policy.